

Advertising revenue increased 13% to \$1.7 billion in 2006 when compared to 2005, reflecting political advertising growth in the second half of 2006. Comcast reported political advertising revenue of more than \$90 million in 2006.

Capital expenditures of \$4.6 billion increased 15% in 2006 reflecting primarily the record increase in RGU additions during the year. Comcast added 69% more RGUs in 2006 than 2005. Consistent with historical trends, approximately 75% of cable capital expenditures were variable and directly associated with demand for new products in 2006.

Comcast delivered strong cable results as compared to the annual guidance updated on October 26, 2006:

	<u>Guidance</u>	<u>Results</u>
Revenue growth	10 - 11%	12%
Operating Cash Flow growth	At least 13%	15%
RGU addition growth	Approximately 60%	69%
Capital expenditures	Approximately \$4.5 billion	\$4.6 billion

Fourth Quarter 2006

- Added 1.6million RGUs during the quarter - most quarterly additions in Company history
- Record RGU additions fueled 14%growth in revenue and 17%growth in Operating Cash Flow

Comcast Cable reported revenue of \$6.9 billion in the fourth quarter of 2006, an increase of 14% from the prior year. Video revenue increased 9% reflecting growth in both basic and digital cable customers and increased demand for advanced digital features, such as DVR and HDTV. Comcast Cable added 613,000 digital cable subscribers and 110,000 basic cable subscribers during the fourth quarter of 2006, each representing the highest quarterly additions in more than 10 years. Driven by increasing ON DEMAND movie purchases, pay-per-view revenue increased 24% to \$159 million in 2006. Pay-per-view revenue has increased more than 20% on average for the past eight quarters.

High-speed Internet revenues increased 23% in the quarter to \$1.5 billion. The strong growth includes the addition of 488,000 high-speed Internet subscribers, a 12% increase from the same period last year and relatively stable monthly revenue per subscriber. Cable phone revenue increased 77% in the fourth quarter of 2006 to \$302 million reflecting the addition of 508,000 CDV customers offset by the decline of 87,000 circuit-switched customers during the quarter.

Advertising revenue increased 26% to \$501 million in the fourth quarter of 2006, reflecting double-digit growth in local and regional/national advertising, as well as a five-fold increase in political advertising to \$54 million principally associated with the fall 2006 elections.

Operating Cash Flow grew 17% to \$2.7 billion during the quarter, reflecting strong revenue growth and the Company's success in controlling the growth of operating costs, even as we experience higher service and installation activity from record RGU additions and integrate recently acquired cable systems. Operating Cash Flow margin for the quarter was 39.9% compared to 38.9% one year ago.

Comcast Cable capital expenditures of \$1.4 billion for the quarter were 43% higher than the fourth quarter of 2005 driven by the record RGU additions during the period. Comcast added 77% more RGUs in the fourth quarter of 2006 than 2005.

Proarrnrnina Searnent Results⁴

Comcast's Programming segment consists of our national programming networks E! Entertainment Television and Style Network (E! Networks), The Golf Channel, VERSUS (formerly OLN), G4 and AZN Television.

The Programming segment reported 2006 revenue of \$1.1 billion, a 15% increase from 2005, reflecting increases in network ratings, advertising and distribution revenue. Operating Cash Flow decreased 11%

to \$241 million in 2006, reflecting investments in programming at all our networks, particularly programming and production expenses related to VERSUS' coverage of the National Hockey League.

For the fourth quarter of 2006, Comcast's Programming segment reported revenue of \$283 million, a 21% increase compared to the prior year and Operating Cash Flow of \$43 million, an increase of 35% from the same period last year reflecting increases in network ratings, advertising revenue and distribution revenue.

Corporate and Other⁴

Corporate and Other includes Comcast Spectacor, corporate overhead and other operations, and eliminations between Comcast's businesses. In 2006, Comcast reported Corporate and Other revenue of \$203 million and an Operating Cash Flow loss of \$362 million, as compared to revenue of \$170 million and an Operating Cash Flow loss of \$313 million in 2005.

For the quarter ended December 31, 2006, Corporate and Other revenue increased to \$90 million from the \$72 million reported in 2005. The Operating Cash Flow loss for the fourth quarter of 2006 was \$109 million compared to a loss of \$77 million in 2005.

Consolidated Results

Year ended December 31, 2006

Consolidated results include all acquisitions as of the date of their closing. Comcast acquired Susquehanna Communications in April 2006 and completed the Adelphia/Time Warner transactions in July 2006. As part of the Adelphia/Time Warner transactions Comcast transferred cable systems serving Los Angeles, Dallas and Cleveland to Time Warner (presented as discontinued operations for all periods). Consolidated results, as of December 31, 2006, include our interest in the Texas/Kansas City cable partnership as an equity method investment.

Revenue increased 18% in 2006 to \$25.0 billion while **Operating Cash Flow** increased 19% to \$9.4 billion and **Operating Income** increased 31% to \$4.6 billion. This significant growth was due to strong results at Comcast Cable and the impact of cable system acquisitions in 2006.

Net Income increased to \$2.5 billion, or \$1.19 per share, in 2006, compared to net income of \$928 million or \$0.42 per share in 2005. In addition to strong operating results at Comcast Cable, the year includes an estimated one-time gain, included in investment income, of \$646 million (or \$405 million net of tax) related to the Adelphia/Time Warner transactions. Also included in this year's results is a one-time gain of \$195 million, net of tax, on discontinued operations related to the transfer of cable systems to Time Warner. Excluding these gains and reconciled in Table 7-C, Adjusted Net Income for 2006 would be \$1.9 billion or \$0.90 per share.

Net Cash Provided by Operating Activities increased to \$6.6 billion in 2006 from \$4.8 billion in 2005 due primarily to stronger operating results, the cable system acquisitions and changes in operating assets and liabilities.

Free Cash Flow (described further on Table 4) increased \$628 million to \$2.6 billion in 2006 compared to \$2.0 billion in 2005, due primarily to growth in consolidated Operating Cash Flow, the cable system acquisitions and changes in working capital.

Fourth Quarter 2006

Driven by strong results at Comcast Cable and the impact of cable acquisitions in 2006, Comcast reported consolidated revenue of \$7.0 billion, an increase of 30% in the fourth quarter of 2006 while consolidated Operating Cash Flow increased 30% to \$2.6 billion. Consolidated operating income increased 43% to \$1.2 billion in the fourth quarter of 2006 compared to \$849 million reported in 2005.

Net income increased to \$390 million, or \$0.18 per share, for the fourth quarter of 2006 compared to net income of \$133 million, or \$0.06 per share, in the prior year. Strong operating results at Comcast Cable contributed to the growth in net income. Included in this quarter's results are two adjustments reducing the gains recorded on the Adelphia/Time Warner transactions in the third quarter of 2006. These reductions represent a refinement of estimated gains due primarily to updated valuations. The first

adjustment, included in investment income, is \$49 million (or \$30 million net of tax). The second is an adjustment of \$39 million net of tax on the gain on discontinued operations related to the transfer of cable systems to Time Warner. Excluding these adjustments and reconciled in Table 7-C, Adjusted Net Income for the fourth quarter of 2006 would be \$459 million or \$0.21 per share.

Pro Forma Consolidated Results"

Pro forma consolidated results are presented as if the acquisition of Susquehanna Communications and the Adelphia/Time Warner transactions were effective on January 1, 2005. Pro forma consolidated results also include the results of the Houston, TX cable systems received with the dissolution of the Texas/Kansas City cable partnership as if that transaction was effective on January 1, 2005 as well. (See note 2 for additional details).

Revenue increased 12% to \$27.6 billion in 2006 while **Operating Cash Flow** increased 14% to \$10.4 billion for the year reflecting record setting results at Comcast Cable.

Comcast delivered strong consolidated results as compared to the annual guidance updated on October 26, 2006:

	<u>Guidance</u>	<u>Results</u>
Revenue growth ⁵	10 - 11%	12%
Operating Cash Flow growth ⁵	At least 12%	14%
Free Cash Flow Conversion	25-30%	28%

Share Repurchase Program

In 2006, Comcast repurchased \$2.3 billion or 75.4 million Class A Special Common (CMCSK) shares, reducing the number of total shares outstanding by more than 3%. Comcast repurchased \$447 million or 11.2 million shares of its CMCSK stock during the fourth quarter of 2006.

Availability under the Company's stock repurchase program, as of December 31, 2006, is \$3.0 billion. Comcast expects that repurchases continue from time to time in the open market or in private transactions, subject to market conditions.

Since the inception of the repurchase program in December 2003, the Company has invested \$7.4 billion in its common stock and related securities, reducing the number of shares outstanding by 11%. These investments include repurchasing \$6.0 billion or 202.3 million shares of common stock and redeeming several debt issues for \$1.4 billion that were exchangeable into 47.3 million shares of common stock. The share amounts above are not adjusted for today's announced stock split.

2007 Financial Outlook

- Cable revenue growth of at least 12%'
- Cable Operating Cash Flow growth of at least 14%'
- Cable RGU net additions of approximately 6.5 million, 30% above 2006 RGU net additions* of 5 million
 - RGU outlook includes an expected decrease of 500,000 circuit-switched phone RGUs
- Cable capital expenditures of approximately \$5.7 billion, including commercial services capital expenditures of approximately \$250 million
- Corporate and other capital expenditures of approximately \$250 million primarily due to the relocation of Comcast's headquarters
- Consolidated revenue growth of at least 11%⁵
- Consolidated Operating Cash Flow growth of at least 13%⁵
- Consolidated Free Cash Flow approximately the same as 2006

See notes on page 6

Notes:

1 Operating Cash Flow percentage growth is adjusted as if stock options had been expensed in 2005. Operating income and earnings per share percentage growth are unadjusted. Per share amounts are not adjusted for today's announced stock split. See Tables 7-A and 7-B for reconciliation of "as adjusted financial data."

2 Cable results are presented on a pro forma, as adjusted, basis. Pro forma results adjust only for certain acquisitions and dispositions, including Susquehanna Communications (April 2006), the Adelphia/Time Warner transactions (July 2006) and the dissolution of the Texas/Kansas City cable partnership (effective January 1, 2007). Effective August 1, 2006, our economic interest in the Texas/Kansas City cable partnership tracked solely the performance of the Houston, TX cable systems. Accordingly, we included the systems' results in Cable pro forma data. Cable results are presented as if the transactions noted above were effective on January 1, 2005. The net impact of these transactions was to increase the number of basic cable subscribers by 2.6 million. These "As Adjusted" results are presented as if stock options had been expensed in 2005. Please refer to Tables 7-A and 7-B for a reconciliation of pro forma, "As Adjusted financial data."

3 Represents the sum of basic and digital cable, high-speed Internet and net phone subscribers, excluding additional outlets. Subscriptions to DVR and/or HDTV services by existing Comcast Digital Cable customers do not result in additional RGUs.

4 Operating Cash Flow adjusted as if stock options had been expensed in 2005

5 Pro forma consolidated results are presented on a pro forma, as adjusted, basis as described in note 2.

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Conference Call Information

Comcast Corporation will host a conference call with the financial community today February 1, 2007 at 8:30 a.m. Eastern Time (ET). The conference call will be broadcast live on the Company's Investor Relations website at www.cmcsa.com or www.cmcsk.com. A recording of the call will be available on the Investor Relations website starting at 12:30 p.m. ET on Thursday, February 1, 2007. To participate via telephone, please dial (800) 263-8495 with the conference ID number 5668483. A telephone replay will begin immediately following the call and will be available until Friday, February 2, 2007 at midnight Eastern Time (ET). To access the rebroadcast, please dial (800) 642-1687 and enter passcode number 5668483. To automatically receive Comcast financial news by email, please visit www.cmcsa.com or www.cmcsk.com and subscribe to email alerts.

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This press release contains forward-looking statements. Readers are cautioned that such forward-looking statements involve risks and uncertainties that could cause actual events or our actual results to differ materially from those expressed in any such forward-looking statements. Readers are directed to Comcast's periodic and other reports filed with the Securities and Exchange Commission (SEC) for a description of such risks and uncertainties.

In this discussion, we sometimes refer to financial measures that are not presented according to generally accepted accounting principles in the U.S. (GAAP). Certain of these measures are considered "non-GAAP financial measures" under the SEC regulations; those rules require the supplemental explanations and reconciliations provided in Table 7 of this release. All percentages are calculated based on actual amounts. Minor differences may exist due to rounding.

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About Comcast

Comcast Corporation (Nasdaq: CMCSA, CMCSK) (<http://www.comcast.com>) is the nation's leading provider of cable, entertainment and communications products and services. With 24.2 million cable customers, 11.5 million high-speed Internet customers, and 2.5 million voice customers, Comcast is principally involved in the development, management and operation of broadband cable networks and in the delivery of programming content. Comcast's programming networks and investments include E! Entertainment Television, Style Network, The Golf Channel, VERSUS (formerly OLN), G4, AZN Television, PBS KIDS Sprout, TV One and four regional Comcast SportsNets. Comcast also has a majority ownership in Comcast-Spectacor, whose major holdings include the Philadelphia Flyers NHL hockey team, the Philadelphia 76ers NBA basketball team and two large multipurpose arenas in Philadelphia.



TABLE 1
Condensed Consolidated Statement of Operations
(Unaudited)

(dollars in millions, except per share data)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2006	2005	2006	2005
Revenues	\$7,031	\$5,416	\$24,966	\$21,075
Operating expenses	2,451	1,943	9,010	7,513
Selling, general and administrative expenses	1,986	1,433	6,514	5,490
	<u>4,437</u>	<u>3,376</u>	<u>15,524</u>	<u>13,003</u>
Operating cash flow	2,594	2,040	9,442	8,072
Depreciation expense	1,080	888	3,828	3,413
Amortization expense	296	303	995	1,138
	<u>1,376</u>	<u>1,191</u>	<u>4,823</u>	<u>4,551</u>
Operating income	1,218	849	4,619	3,521
Other income (expense)				
Interest expense	(562)	(462)	(2,064)	(1,795)
Investment income (loss), net	55	53	990	89
Equity in net (losses) income of affiliates	(38)	(23)	(124)	(42)
Other income (expense)	(21)	5	173	(53)
	<u>(566)</u>	<u>(427)</u>	<u>(1,025)</u>	<u>(1,801)</u>
Income before income taxes and minority interest	652	422	3,594	1,720
Income tax expense	(221)	(303)	(1,347)	(873)
Income before minority interest	431	119	2,247	847
Minority interest	(2)	(12)	(12)	(19)
Net income from continuing operations	429	107	2,235	828
Income from discontinued operations, net of tax		26	103	100
Gain (loss) on discontinued operations, net of tax	(39)		195	
Net income	<u>\$390</u>	<u>5133</u>	<u>\$2,533</u>	<u>\$928</u>
Basic earnings per common share				
Income from continuing operations per common share	\$ 0.21	\$ 0.05	\$ 1.06	\$ 0.37
Income from discontinued operations per common share		0.01	0.05	0.05
Gain (loss) on discontinued operations per common share	(0.02)		0.09	
Net income per common share	<u>\$ 0.19</u>	<u>\$ 0.06</u>	<u>\$ 1.20</u>	<u>\$ 0.42</u>
Diluted earnings per common share				
Income from continuing operations per common share	\$ 0.20	\$ 0.05	\$ 1.05	\$ 0.37
Income from discontinued operations per common share		0.01	0.05	0.05
Gain (loss) on discontinued operations per common share	(0.02)		0.09	
Net income per common share	<u>\$ 0.18</u>	<u>5 0.06</u>	<u>\$ 1.19</u>	<u>\$ 0.42</u>
Basic weighted-average number of common shares	<u>2,084</u>	<u>2,169</u>	<u>2,107</u>	<u>2,197</u>
Diluted weighted-average number of common shares	<u>2,109</u>	<u>2,179</u>	<u>2,120</u>	<u>2,208</u>



TABLE 2
Condensed Consolidated Balance Sheet
(Unaudited)

(dollars in millions)	December 31, 2006	December 31, 2005
ASSETS		
Current Assets		
Cash and cash equivalents	\$1,239	\$947
Investments	1,735	148
Accounts receivable, net	1,450	1,008
Other current assets	778	685
Current assets of discontinued operations		60
Total current assets	<u>5,202</u>	<u>2,848</u>
Investments	8,847	12,675
Property and equipment, net	21,248	17,704
Franchise rights	55,927	48,804
Goodwill	13,768	13,498
Other intangible assets, net	4,881	3,118
Other noncurrent assets, net	532	635
Noncurrent assets of discontinued operations, net		4,118
	<u>51,10,405</u>	<u>\$103,400</u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accounts payable and accrued expenses related to trade creditors	\$2,862	\$2,239
Accrued expenses and other current liabilities	3,032	2,482
Deferred income taxes	563	2
Current portion of long-term debt	983	1,689
Current liabilities of discontinued operations		112
Total current liabilities	<u>7,440</u>	<u>6,524</u>
Long-term debt, less current portion	27,992	21,682
Deferred income taxes	27,089	27,370
Other noncurrent liabilities	6,498	6,920
Minority interest	251	657
Noncurrent liabilities of discontinued operations		28
Stockholders equity	<u>41,135</u>	<u>40,219</u>
	<u>\$110,405</u>	<u>\$103,400</u>



TABLE 3
Condensed Consolidated Statement of Cash Flows
(Unaudited)

(dollars in millions)

	Twelve Months Ended December 31,	
	2006	2005
OPERATING ACTIVITIES		
Net cash provided by operating activities	<u>\$6,618</u>	<u>\$4,835</u>
FINANCING ACTIVITIES		
Proceeds from borrowings	7,497	3,978
Retirements and repayments of debt	(2,039)	(2,706)
Repurchases of common stock	(2,347)	(2,313)
issuances of common stock	410	93
Other	25	15
Net cash provided by (used in) financing activities	<u>3,546</u>	<u>(933)</u>
INVESTING ACTIVITIES		
Capital expenditures	(4,395)	(3,621)
Cash paid for intangible assets	(306)	(281)
Acquisitions, net of cash acquired	(5,110)	(199)
Proceeds from sales and restructuring of investments	2,720	861
Purchases of investments	(2,812)	(306)
Proceeds from sales (purchases) of short-term investments, net	33	(86)
Other investing activities	(2)	(116)
Net cash used in investing activities	<u>(9,872)</u>	<u>(3,748)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	292	154
CASH AND CASH EQUIVALENTS, beginning of period	947	793
CASH AND CASH EQUIVALENTS, end of period	<u>\$1,239</u>	<u>\$947</u>

TABLE 4
Calculation of Free Cash Flow
(Unaudited) ⁽¹⁾

(dollars in millions)

	Twelve Months Ended December 31,	
	2006	2005
Net Cash Provided by Operating Activities	\$6,618	\$4,835
Capital Expenditures	(4,395)	(3,621)
Cash paid for Intangible Assets	(306)	(281)
Non-operating items, net of tax	706	1,062
Free Cash Flow	<u>\$2,623</u>	<u>\$1,995</u>

(1) See Non-GAAP and Other Financial Measures in Table 7 for the definition of Free Cash Flow



TABLE 5
Pro Forma Financial Data by Business Segment
(Unaudited) ⁽¹⁾

(dollars in millions)

	Cable	(2)	Corporate and Other	Total
<u>Three Months Ended December 31, 2006</u>				
Revenues	\$6,894	\$283	\$90	\$7,267
Operating Cash Flow	52,749	\$43	(\$109)	\$2,683
Operating Income (Loss)	51,357	\$1	(\$120)	51,238
Operating Cash Flow Margin	39.9%	15.4%	NM	36.9%
Capital Expenditures ⁽³⁾	\$1,381	(\$2)	515	51,394
<u>Three Months Ended December 31, 2005, as adjusted ⁽⁴⁾</u>				
Revenues	56,029	\$235	572	\$6,336
Operating Cash Flow	\$2,348	\$32	(\$77)	52,303
Operating Income (Loss)	5922	(\$10)	(\$91)	5821
Operating Cash Flow Margin	38.9%	13.8%	NM	36.4%
Capital Expenditures ⁽³⁾	\$967	\$5	514	\$986
<u>Twelve Months Ended December 31, 2006</u>				
Revenues	\$26,339	51,053	5203	\$27,595
Operating Cash Flow	\$10,511	5241	(\$362)	\$10,390
Operating Income (Loss)	55,246	\$75	(\$430)	\$4,891
Operating Cash Flow Margin	39.9%	22.9%	NM	37.7%
Capital Expenditures ⁽³⁾	\$4,640	\$16	530	\$4,686
<u>Twelve Months Ended December 31, 2005, as adjusted ⁽⁴⁾</u>				
Revenues	\$23,556	5919	5170	\$24,645
Operating Cash Flow	\$9,132	\$272	(\$313)	59,091
Operating income (LOSS)	\$3,652	\$118	(\$363)	53,407
Operating Cash Flow Margin	38.8%	29.6%	NM	36.9%
Capital Expenditures ⁽³⁾	\$4,030	516	\$38	\$4,084

(1) See Non-GAAP and Other Financial Measures in Table 7. Historical financial data by business segment, as required under generally accepted accounting principles in the United States (GAAP), is available in the Company's annual report on Form 10-K. All percentages are calculated based on actual amounts. Minor differences may exist due to rounding.

(2) Programming includes our national networks E! Entertainment Television and Style Network (E! Networks), The Golf Channel, VERSUS (formerly OLN), G4 and AZN Television.

(3) Our Cable segment's capital expenditures are comprised of the following categories:

	4Q06	4Q05	YTD 4Q06	YTD 4Q05
New Service Offerings				
Customer Premise Equipment (CPE)	\$712	5512	\$2,482	\$2,080
Scalable Infrastructure	330	214	917	881
	<u>1,042</u>	<u>726</u>	<u>3,399</u>	<u>2,961</u>
Recurring Capital Projects				
Line Extensions	62	64	320	293
Support Capital	144	97	528	387
	<u>206</u>	<u>161</u>	<u>848</u>	<u>680</u>
Upgrades				
	133	80	393	389
Total	<u>\$1,381</u>	<u>\$967</u>	<u>\$4,640</u>	<u>\$4,030</u>

CPE includes costs incurred at the customer residence to secure new customers, revenue units and additional bandwidth revenues (e.g. digital converters). Scalable infrastructure includes costs, not CPE or network related, to secure growth of new customers, revenue units and additional bandwidth revenues or provide service enhancements (e.g. headend equipment). Line extensions include network costs associated with entering new service areas (e.g. fiber/coaxial cable). Support Capital includes costs associated with the replacement or enhancement of non-network assets due to obsolescence and wear out (e.g. non-network equipment, land, buildings and vehicles). Upgrades include costs to enhance or replace existing fiber/coaxial cable networks, including recurring betterments.

(4) Adjusted as if stock options had been expensed in 2005. See Tables 7-A and 7-B for Reconciliation of "As Adjusted" Financial Data



TABLE 6
Pm Forma Data - Cable Segment Components
(Unaudited) ^{(1) (2)}

(dollars in millions except per subscriber and per unit data)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues				
Video ⁽³⁾	\$4,214	\$3,865	\$16,599	\$15,386
High-Speed Internet	1,454	1,184	5,451	4,445
Phone	302	171	955	658
Advertising	501	398	1,651	1,463
Other ⁽⁴⁾	226	229	908	877
Franchise Fees	197	182	775	727
Total Revenues	\$6,894	\$6,029	\$26,339	\$23,556
Programming Expense			\$5,406	\$5,021
Operating Cash Flow ⁽⁵⁾	\$2,749	\$2,348	\$10,511	\$9,132
Operating Income ⁽⁵⁾	\$1,357	\$922	\$5,246	\$3,652
Operating Cash Flow Margin ⁽⁵⁾	39.9%	38.9%	39.9%	38.8%
Capital Expenditures	\$1,381	\$967	\$4,640	\$4,030

	<u>4Q06</u>	<u>4Q05</u>	<u>3Q06</u>
Video			
Homes Passed (000's)	47,400	46,700	47,200
Basic Subscribers (000's)	24,161	24,081	24,051
Basic Penetration	51.0%	51.6%	50.9%
Quarterly Net Basic Subscriber Additions (000's)	110	28	10
Digital Subscribers (000's)	12,666	10,804	12,053
Digital Penetration	52.4%	44.9%	50.1%
Quarterly Net Digital Subscriber Additions (000's)	613	365	558
Digital Set-Top Boxes	19,492	16,450	18,440
Monthly Average Video Revenue per Basic Subscriber	\$58.41	\$53.54	\$57.75
Monthly Average Total Revenue per Basic Subscriber	\$95.34	\$83.51	\$91.89
High-Speed Internet			
"Available" Homes (000's)	46,902	45,912	46,731
Subscribers (000's)	11,487	9,619	11,000
Penetration	24.5%	21.0%	23.5%
Quarterly Net Subscriber Additions (000's)	488	436	536
Monthly Average Revenue per Subscriber	\$43.12	\$41.99	\$43.14
Phone			
Comcast Digital Voice			
"Available" Homes (000's)	32,435	18,580	30,800
Subscribers (000's)	1,855	306	1,348
Penetration	5.7%	1.6%	4.4%
Quarterly Net Subscriber Additions (000's)	508	147	483
Circuit Switched Phone			
"Available" Homes (000's)	8,866	8,462	8,858
Subscribers (000's)	652	986	740
Penetration	7.4%	11.7%	8.4%
Quarterly Net Subscriber Additions (000's)	(87)	(56)	(102)
Monthly Average Total Phone Revenue per Subscriber	\$43.92	\$46.20	\$45.09
Total Revenue Generating Units (000's) ⁽⁶⁾	50,822	45,796	49,190
Quarterly Net Additions	1,632	920	1,486

(1) See Non-GAAP and Other Financial Measures in Table 7. All percentages are calculated based on actual amounts. Minor differences may exist due to rounding.

(2) Pro forma financial data includes the results of Susquehanna Communications acquired on April 30, 2006, cable systems acquired in the Adelphia/Time Warner transactions on July 31, 2006, and cable systems serving Houston, Texas included as a result of the dissolution of our cable partnership with Time Warner, which was initiated in July 2006. The net impact of these transactions was to increase the number of basic cable subscribers by 2.6 million.

Pro forma subscriber data also includes 13,000 subscribers acquired in various small acquisitions during 2005. The impact of these acquisitions on our segment operating results was not material.

(3) Video revenues consist of our basic, expanded basic, digital, premium, pay-per-view and equipment services.

(4) Other revenues include installation revenues, guide revenues, commissions from electronic retailing, other product offerings, commercial data services and revenues of our digital media center and regional sports programming networks.

(5) Adjusted as if stock options had been expensed in 2005.

(6) Represents the sum of basic and digital video, high-speed Internet and net phone subscribers, excluding additional outlets. Subscriptions to DVR and/or H.D.N. services by existing Comcast Digital customers do not result in additional RGUs.



TABLE 7

Non-GAAP and Other Financial Measures

Operating Cash Flow is the primary basis used to measure the operational strength and performance of our businesses. Free Cash Flow is an additional performance measure used as an indicator of our ability to repay debt, make investments and return capital to investors, principally through stock repurchases. We also adjust certain historical data on a pro forma basis following significant acquisitions or dispositions to enhance comparability.

Operating Cash Flow is defined as operating income before depreciation and amortization, excluding impairment charges related to fixed and intangible assets and gains or losses on sale of assets, if any. As such, it eliminates the significant level of non-cash depreciation and amortization expense that results from the capital intensive nature of our businesses and intangible assets recognized in business combinations, and is unaffected by our capital structure or investment activities. Our management and Board of Directors use this measure in evaluating our consolidated operating performance and the operating performance of all of our operating segments. This metric is used to allocate resources and capital to our operating segments and is a significant performance measure in our annual incentive compensation programs. We believe that Operating Cash Flow is also useful to investors as it is one of the bases for comparing our operating performance with other companies in our industries, although our measure of Operating Cash Flow may not be directly comparable to similar measures used by other companies.

As Operating Cash Flow is the measure of our segment profit or **loss**, we reconcile it to operating income, the most directly comparable financial measure calculated and presented in accordance with generally accepted accounting principles in the United States (GAAP), in the business segment footnote of our quarterly and annual financial statements. Therefore, we believe our measure of Operating Cash Flow for our business segments is not a "non-GAAP financial measure" as contemplated by Regulation G adopted by the Securities and Exchange Commission. Consolidated Operating Cash Flow is a non-GAAP financial measure.

Beginning in 2006, we changed our definition of Free Cash Flow, which is a non-GAAP financial measure, to mean "Net Cash Provided by Operating Activities From Continuing Operations" (as stated in our Consolidated Statement of Cash Flows) reduced by capital expenditures and cash paid for intangible assets; and increased by any payments related to certain non-operating items, net of estimated tax benefits (such as income taxes on investment sales, and non-recurring payments related to income tax and litigation contingencies of acquired companies). We believe that Free Cash Flow is also useful to investors as it is one of the bases for comparing our performance with other companies in our industries, although our measure of Free Cash Flow may not be comparable to similar measures used by other companies.

Pro forma data is used by management to evaluate performance when significant acquisitions or dispositions occur. Historical data reflects results of acquired businesses only after the acquisition dates while pro forma data enhances comparability of financial information between periods by adjusting the data as if the acquisitions (or dispositions) occurred at the beginning of the prior year. Our pro forma data is only adjusted for the timing of acquisitions and does not include adjustments for costs related to integration activities, cost savings or synergies that have been or may be achieved by the combined businesses. We believe our pro forma data is not a non-GAAP financial measure as contemplated by Regulation G.

In certain circumstances we also present data, as adjusted, in order to enhance comparability between periods. In connection with the adoption of FAS 123R, we have adjusted 2005 data as if stock options had been expensed.

Operating Cash Flow and Free Cash Flow should not be considered as substitutes for operating income (**loss**), net income (**loss**), net cash provided by operating activities or other measures of performance or liquidity reported in accordance with GAAP. Additionally, in the opinion of management, our pro forma data is not necessarily indicative of future results or what results would have been had the acquired businesses been operated by us after the assumed earlier date.

We provide reconciliations of Consolidated Operating Cash Flow in Table 1, Free Cash Flow in Table 4, Pro Forma and "As Adjusted" in Tables 7-A and 7-B, and Adjusted Net Income in Table 7-C.



TABLE 7-A
Reconciliation of Pro Forma ⁽¹⁾ "As Adjusted" Financial Data by Business Segment
(Unaudited)

					Cable		Total	
	Cable ⁽²⁾	Programming	Corporate, Other and Eliminations ^{(2) (6)}	Total	Pro Forma Adjustments ^{(1) (3)}	Cable Pro Forma	Pro Forma Adjustments ^{(1) (4)}	Total Pro Forma
(dollars in millions)								
Three Months Ended December 31, 2006								
Revenue	\$6,895	\$283	(\$147)	\$7,031	(\$1)	\$6,894	\$236	\$7,267
Operating Expenses (excluding depreciation and amortization)	4,148	240	51	4,437	(1)	4,145	147	4,584
Operating Cash Flow	\$2,719	\$43	(\$198)	\$2,591	\$ -	\$2,749	\$89	\$2,583
Depreciation and Amortization	1,388	42	(54)	1,376		1,392	69	1,445
Operating Income (Loss)	\$1,361	\$1	(\$144)	\$1,218	(\$4)	\$1,357	\$20	\$1,238
Capital Expenditures	\$1,381	(\$2)	(\$35)	\$1,344	\$ -	\$1,381	\$50	\$1,394
Three Months Ended December 31, 2005								
Revenue	\$5,108	\$235	\$73	\$5,416	\$919	\$6,027	\$920	\$6,336
Segment reclassifications ⁽⁶⁾	2		(2)			2		
Revenue	\$5,110	\$235	\$71	\$5,416	\$019	\$6,029	\$920	\$6,336
Operating Expenses (excluding depreciation and amortization)	3,051	200	125	3,376	608	3,659	609	3,985
Segment reclassifications ⁽⁶⁾	(8)	5	3			(8)		
Stock option adjustment ⁽⁶⁾	30	(2)	(28)			30		
Operating Cash Flow	\$2,037	\$32	(\$29)	\$2,040	\$311	\$2,348	\$311	\$2,351
Depreciation and Amortization	1,134	42	15	1,191	292	1,426	291	1,482
Operating Income (Loss)	\$903	(\$10)	(\$44)	\$849	\$19	\$922	\$20	\$869
Capital Expenditures	\$815	\$5	\$48	\$868	\$152	\$967	\$118	\$986

Reconciliation of Total Pro Forma ⁽¹⁾ "As Adjusted" Financial Data

	Three Months Ended December 31,					
	2005		2006		% Growth	% Growth
	Total Pro Forma	Adjustment ⁽⁶⁾	Total Pro Forma As Adjusted	Total Pro Forma	As Adjusted	As Adjusted
Revenue	\$6,336	\$ -	\$6,336	\$7,267	15%	15%
Operating Expenses (excluding depreciation and amortization)	3,985	48	4,033	4,584		
Operating Cash Flow	\$2,351	(\$48)	\$2,303	\$2,583	16%	14%
Depreciation and Amortization	1,482		1,482	1,445		
Operating Income (Loss)	\$869	(\$48)	\$821	\$1,238	51%	43%
Operating Cash Flow Margin	37.1%	NM	36.4%	36.9%		

Reconciliation of Total "As Adjusted" Financial Data

	Three Months Ended December 31,					
	2005		2006		% Growth	% Growth
	Historical Total	Adjustment ⁽⁶⁾	As Adjusted	Total	As Adjusted	As Adjusted
Revenue	\$5,416	\$ -	\$5,416	\$7,031	30%	30%
Operating Expenses (excluding depreciation and amortization)	3,376	48	3,424	4,437		
Operating Cash Flow	\$2,040	(\$48)	\$1,992	\$2,504	30%	27%
Depreciation and Amortization	1,191		1,191	1,376		
Operating Income (Loss)	\$849	(\$48)	\$801	\$1,218	52%	43%
Operating Cash Flow Margin	37.7%	NM	36.8%	36.9%		
Earnings Per Share	\$0.06	(\$0.01)	\$0.05	\$0.18	260%	200%

(1) Pro forma data is adjusted only for timing of acquisitions (or dispositions) and does not include adjustments for costs related to integration activities, cost savings or synergies that have been or may be achieved by the combined businesses. Pro Forma results are presented as if the acquisitions and dispositions were effective on January 1, 2005. Minor differences may exist due to rounding.

(2) Beginning on August 1, 2006, the cable segment includes the operating results of the cable systems serving Houston, TX as a result of the dissolution of our cable partnership with Time Warner. This adjustment is reversed in the Corporate, Other and Eliminations column to reconcile to our consolidated amounts.

(3) Cable Pro Forma adjustments include cable systems serving Houston, TX prior to August 1, 2006.

(4) Total Pro Forma adjustments include cable systems serving Houston, TX for all periods.

(5) To be consistent with our management reporting, reclassifications were made to technology development ventures, programming headquarters and other.

(6) To be consistent with our management reporting, the 2005 segment amounts have been adjusted as if stock options had been expensed as of January 1, 2005. For the three months ended December 31, 2005, the adjustments reducing operating income before depreciation and amortization by segment were \$30 million for Cable, (\$2) million for Programming and \$20 million for Corporate and Other. For the three months ended December 31, 2005, the total adjustment of \$48 million is reversed in the Corporate, Other and Eliminations column to reconcile to our consolidated 2005 amounts.

TABLE 7-B

Reconciliation of Pro Forma ⁽¹⁾ "As Adjusted" Financial Data by Business Segment
(Unaudited)

					<u>Cable</u>		<u>Total</u>	
(dollars in millions)	<u>Cable ⁽²⁾</u>	<u>Programming</u>	<u>Corporate, Other and Eliminations ^{(2) (6)}</u>	<u>Total</u>	<u>Pro Forma Adjustments ^{(1) (3)}</u>	<u>Cable Pro Forma</u>	<u>Pro Forma Adjustments ^{(1) (4)}</u>	<u>Total Pro Forma</u>
Twelve Months Ended December 31, 2006								
Revenue	\$24,100	\$1,053	(\$187)	\$24,966	\$2,239	\$26,339	52,628	\$27,595
Operating Expenses (excluding depreciation and amortization)	14,396	812	316	15,521	1,432	15,828	1,581	17,205
Operating Cash Flow	\$9,704	\$241	(\$503)	\$9,442	\$807	\$10,511	\$948	\$10,390
Depreciation and Amortization	4,657	166		4,823	608	5,265	676	5,498
Operating Income (Loss)	\$5,047	\$75	(\$503)	\$4,619	\$199	\$5,246	\$272	\$4,891
Capital Expenditures	\$4,327	\$16	\$52	14,395	\$313	\$4,640	\$291	\$4,686
Twelve Months Ended December 31, 2005								
Revenue	\$19,979	\$919	\$177	\$21,075	\$3,569	\$23,548	\$3,570	\$24,645
Segment reclassifications ⁽⁵⁾	8		(8)			8	-	-
Revenue	\$19,987	\$919	\$169	\$21,075	\$3,569	\$23,156	\$3,570	\$24,645
Operating Expenses (excluding depreciation and amortization)	11,941	636	426	13,003	2,384	14,325	2,385	15,388
Segment reclassifications ⁽⁵⁾	1171	10	7			(17)		
Stock option adjustment ⁽⁵⁾	116	1	(117)			116		
Operating Cash Flow	\$7,947	\$272	(\$147)	\$8,072	\$1,185	\$9,132	11,185	\$9,257
Depreciation and Amortization	4,346	154	51	4,551	1,134	5,480	1,133	5,684
Operating Income (Loss)	\$3,601	\$118	(\$198)	\$3,521	\$51	\$3,652	\$52	\$3,573
Capital Expenditures	\$3,409	\$16	\$196	63,621	\$621	\$4,030	\$463	\$4,084

Reconciliation of Total Pro Forma ⁽¹⁾ "As Adjusted" Financial Data

	Twelve Months Ended December 31,					
(dollars in millions)	2005		2006		% Growth	% Growth
	<u>Total Pro Forma</u>	<u>Adjustment ⁽⁶⁾</u>	<u>Total Pro Forma As Adjusted</u>	<u>Total Pro Forma</u>	<u>As Adjusted</u>	<u>% Growth</u>
Revenue	\$24,645	\$ -	\$24,645	\$27,595	12%	12%
Operating Expenses (excluding depreciation and amortization)	15,388	166	15,554	17,205		
Operating Cash Flow	\$9,257	\$166	\$9,091	\$10,390	14%	12%
Depreciation and Amortization	5,681		5,684	5,498		
Operating Income (Loss)	\$3,573	(\$166)	\$3,407	\$4,891	44%	37%
Operating Cash Flow Margin	37.6%	NM	36.9%	37.7%		

Reconciliation of Total "As Adjusted" Financial Data

	Twelve Months Ended December 31,					
(dollars in millions, except per share data)	2005		2006		% Growth	% Growth
	<u>Historical</u>	<u>Adjustment ⁽⁶⁾</u>	<u>As Adjusted</u>	<u>Total</u>	<u>As Adjusted</u>	<u>% Growth</u>
Revenue	\$21,075	\$ -	\$21,075	\$24,966	18%	18%
Operating Expenses (excluding depreciation and amortization)	13,003	166	13,169	15,524		
Operating Cash Flow	\$8,072	(\$166)	17,906	\$9,442	19%	17%
Depreciation and Amortization	4,551		4,551	4,823		
Operating Income (Loss)	\$3,521	(\$166)	\$3,355	\$4,619	38%	31%
Operating Cash Flow Margin	38.3%	NM	37.5%	37.8%		
Earnings Per Share	\$0.42	(\$0.04)	\$0.38	\$1.19	213%	183%

(1) Pro forma data is adjusted only for timing of acquisitions (or dispositions) and does not include adjustments for costs related to integration activities, cost savings or synergies that have been or may be achieved by the combined businesses. Pro Forma results are presented as if the acquisitions and dispositions were effective on January 1, 2005. Minor differences may exist due to rounding.

(2) Beginning on August 1, 2006, the cable segment includes the operating results of the cable systems serving Houston, TX as a result of the dissolution of our cable partnership with Time Warner. This adjustment is reversed in the Corporate, Other and Eliminations column to reconcile to our consolidated amounts.

(3) Cable Pro Forma adjustments include cable systems serving Houston, TX prior to August 1, 2006.

(4) Total Pro Forma adjustments include cable systems serving Houston, TX for all periods.

(5) To be consistent with our management reporting, reclassifications were made to technology development ventures, programming headquarters and other.

(6) To be consistent with our management reporting, the 2005 segment amounts have been adjusted as if stock options had been expensed as of January 1, 2005. For the twelve months ended December 31, 2005, the adjustments reducing operating income before depreciation and amortization by segment were \$116 million for Cable, \$1 million for Programming and \$48 million for Corporate and Other. For the twelve months ended December 31, 2005, the total adjustment of \$166 million is reversed in the Corporate, Other and Eliminations column to reconcile to our consolidated 2005 amounts.

TABLE 7-C
Reconciliation of Net Income to Adjusted Net Income
(Unaudited)

Three Months Ended December 31,				
(dollars in millions, except per share data)	2006		2005	
	\$	EPS ⁽¹⁾	\$	EPS ⁽¹⁾
Net Income	\$390	\$0.18	5133	50.06
Adjustments:				
Investment income			53	0.02
Other income	-		5	
Tax effect of adjustments (at 40% and refinement of effective tax rate)			(111)	(0.05)
Adjustment to gain on discontinued operations, net of tax	(39)	(0.02)		
Adjustment to gain on Adelphia Time Warner transactions, net of tax	(30)	(0.01)		
Adjusted Net Income ⁽²⁾	\$459	\$0.21	5186	50.09

Twelve Months Ended December 31,				
(dollars in millions, except per share data)	2006		2005	
	\$	EPS ⁽¹⁾	\$	EPS ⁽¹⁾
Net Income	52,533	51.19	5928	50.42
Adjustments:				
Investment income			89	0.04
Other income (expense)			(56)	(0.02)
Tax effect of adjustments (at 40% and refinement of effective tax rate)			(13)	(0.01)
Gain on discontinued operations, net of tax	195	0.09		
Gain on Adelphia Time Warner transactions, net of tax	405	0.20		
Adjusted Net Income ⁽²⁾	\$1,933	\$0.90	\$908	\$0.41

(1) Based on diluted average number of common shares for the respective periods as presented in Table 1

(2) For 2006, Adjusted Net income excludes a one-time gain on discontinued operations, net of tax, and a one-time investment gain, net of tax, related to the Adelphia Time Warner transactions.

For 2005, Adjusted Net Income excludes Investment Income and Other Income (Expense) (as presented in our Consolidated Statement of Operations), net of a 40% income tax rate and excludes in the fourth quarter of 2005 a refinement to our effective tax rate.

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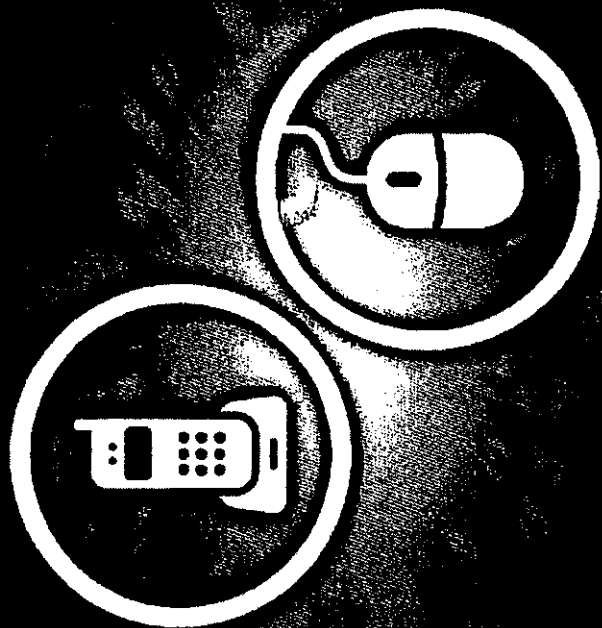


Recycling: CMCSA

Seattle M2A
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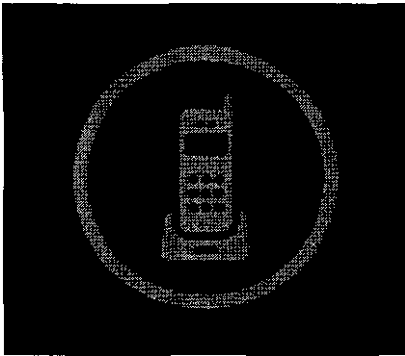
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Comcast Names William Stemper President of Comcast Business Services

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PHILADELPHIA, Aug. 7 /PRNewswire/ -- Comcast Corporation (Nasdaq: CMCSA, CMCSK), the country's leading provider of cable, entertainment and communications products and services, announced today that William Stemper has been appointed President of Comcast Business Services and Senior Vice President of Comcast Cable.

In this newly created position, Mr. Stemper will oversee Comcast's business services strategy to facilitate the deployment of new and existing communications products and services for business customers. He will report to Dave Watson, Executive Vice President of Operations for Comcast.

"Bill has tremendous leadership experience and an outstanding record of successfully delivering high-value solutions for business customers," said Mr. Watson. "I'm thrilled that he will lead Comcast's continued efforts as we leverage our unparalleled network to deliver video, voice and data services for the business marketplace."

Mr. Stemper has over 25 years of industry experience, most recently serving as Vice President of Cox Business Services for Cox Communications in Atlanta, GA. Prior to that, he held key executive positions for AT&T Corporation that focused on serving the needs of business customers in the United States and Europe.

Mr. Stemper holds a master's degree in Business Administration from the University of Pennsylvania's Wharton School of Business and a bachelor's degree in Electrical Engineering from Marquette University in Milwaukee, WI. He will relocate to Philadelphia from Atlanta with his family.

About Comcast

Comcast Corporation (Nasdaq: CMCSA, CMCSK) (<http://www.comcast.com>) is the nation's leading provider of cable, entertainment and communications products and services. With 23.3 million cable customers, 10 million high-speed Internet customers, and 1.6 million voice customers, Comcast is principally involved in the development, management and operation of broadband cable systems and in the delivery of programming content.

Comcast's content networks and investments include E! Entertainment Television, Style Network, The Golf Channel, OLN, G4, AZN Television, PBS KIDS Sprout, TV One and four regional Comcast SportsNets. Comcast also has a majority ownership in Comcast Spectacor, whose major holdings include the Philadelphia Flyers NHL hockey team, the Philadelphia 76ers NBA basketball

Rocky Mountain News

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Comcast to target businesses

Centennial call center to aid phone service

By Joyzelle Davis, Rocky Mountain News

March 21, 2007

Comcast, which traditionally has focused on residential customers, is poised for an aggressive push into the \$15 billion small-business market.

Comcast on Tuesday announced the opening of a Centennial call center that's one of two facilities nationwide dedicated to the company's small-business clientele. The center initially will be staffed by 100 employees and has room to expand to 400.

The Centennial office will play an integral part in the nation's largest cable company's plans to offer a bundle of phone, Internet and video services to the estimated 5 million small businesses in its territory. Comcast already offers Internet and pay TV to businesses but will ramp up efforts when it launches phone service later this year, said Jim Erickson, Comcast's vice president of business services for the west division.

"The companies that serve the small-to-medium business market have taken them for granted, and these people are looking for a choice," Erickson said.

Comcast is conducting a "very small trial" of its phone service for businesses in the Denver market and hasn't set an official launch date, he said. Nationwide, the company plans to spend \$250 million this year and \$3 billion over the next five years to build out its commercial phone network.

In going after the business market, Comcast is looking to replicate the success it has had since launching Internet-based phone service for residential customers. Some two years after launching its service, Comcast has more than 2 million subscribers nationwide.

Other cable companies, including Cablevision and Cox, also are eyeing business as the next growth engine after residential voice service.

Telecom companies sell all business customers about \$115 billion in services each year, but Comcast is focusing on businesses with fewer than 75 employees with an emphasis on workplaces with fewer than 20.

Qwest Communications, which had 2.07 million business land lines last year, says it's ready for the challenge. More than a year ago, the Denver-based telco switched its customer service structure to offer businesses a dedicated person for their accounts rather than regular call center support and has a specialized call center targeting Hispanic businesses.

Qwest also emphasizes that it can offer services to businesses throughout the country, not only in its 14-state local phone territory.

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News

A foam hand that illustrates treating the customer as No. 1 sits on the desk of Josh Hammes as he takes calls Monday at Comcast's new business services support center in Centennial.



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Forget the triple play--wireless ups the ante

By Marguerite Reardon

Staff Writer, CNET News.com

Published: January 4, 2007, 4:02 AM PST

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If 2006 was the year of the triple play, 2007 may very well be the year of the quadruple bundle as cable operators and phone companies start to integrate mobile wireless services into their service packages.

Even though AT&T will soon own all of Cingular Wireless, and Verizon Communications owns a significant stake in Verizon Wireless, the cable industry seems to be taking an early lead in actually integrating the services and rolling them out to customers.

"Depending on how well mobile services are received by cable customers, it could up the ante in the battle between cable and phone companies," said Jim Penhune, an analyst with Strategy Analytics. "It will force the phone companies to readdress the market and get more serious about integrating their own wireless services into their offering."

Starting this year, all four of the cable operators involved in a joint venture with wireless carrier Sprint Nextel will launch their integrated mobile phone service. Comcast and Time Warner, which have already announced public pilot programs, are expected to expand their service in 2007. And Cox Communications and Advanced Newhouse also are expected to begin offering the service in 2007.

For cable operators, adding wireless to their bundle, which already includes high-speed Internet access, telephony and video services, means more than just providing customers with a single bill and a discount for buying more than one service. These Companies see mobility as a way to add more convenience and value to services they already subscribe to.

"There is no question that wireless ties all of our services together," said Tom Nagel, senior vice president and general manager of wireless services at Comcast. "The idea is you can take the services you enjoy at home with you when you're on the go using a mobile device."

In the initial launch Comcast, Advanced Newhouse, Time Warner and Cox will allow customers to access their e-mail, cable TV guide and home voice mail from their cell phones. They'll offer some video content



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on their phones that would otherwise be available only at home. Eventually, the cable companies want to allow Customers to be able to *do things like* program their DVRs remotely from their handsets.

Still early in development

But the companies admit that they are still in the early stages of developing these services. This past year, they've focused mainly on logistics, such as offering customers a single bill that details charges for all their services, including, broadband, voice, *TV* and wireless. They've also been training sales and support staff to handle the new wireless service. And they've worked on getting the basics of the service in place, such as simplifying the user interfaces so that customers can easily navigate the services and so that those services feel Familiar and comfortable to customers.

This means that when customers access their e-mail or view the cable TV guide on their phone, the interface on the phone will be similar to what they see on the PC screen or on their *TV* at home. The voice mail service doesn't provide a single mailbox, but it offers the home voice mail mailbox as an option in the menu when checking for wireless voice mail messages.

"We know customers aren't begging For a bundled bill," said John Garcia, president of the Sprint-Cable Joint Venture. "And they don't necessarily want a new service. What they really want is for the services they already have to work together."

While they may not be as Far along as the cable operators and Sprint in developing an integrated wireless service, the phone companies made it clear during the past several months that they will add wireless services to their bundles. During the second half of 2006, Verizon began offering a voice-services bundle that allowed people to talk for free between their cell phones and their Verizon home phones. It also provides a single voice mailbox. But the service is limited to certain customers in Texas and Florida. And it doesn't yet integrate any of the broadband or TV services the company is offering.

CONTINUED: Change on the horizon...

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Regulatory Event Risk Headlines Fitch's U.S. Telecom Outlook for 2007

29 Nov 2006 9:30 AM (EST)

Fitch Ratings-Chicago-29 November 2006: Fitch believes that regulatory event risk will play a major role in the competitive and financial prospects of telecommunications operators in 2007. The inability of Congress, along with the Federal Communications Commission (FCC), to address key telecommunications issues related to Universal Service Funding (USF), inter-carrier compensation and video franchising in 2006 has shifted this growing event risk into 2007. The difficulty in resolving these regulatory issues highlights the potential changes being considered, the diversity of opinion and its ability to have dramatically different outcomes for the various telecommunications operators. Further complicating this situation is the recent political shift of power in Congress. The earlier telecommunications reform efforts will likely have to start over with a need for bipartisan support. It seems likely that USF reform and net-neutrality will be key issues in any future reform plans.

Along with telecommunications legislative reform, a variety of proposals from the FCC and other industry groups, are being evaluated that could have a significant impact on the industry. Some examples would include the FCC investigating a 'reverse auction' plan to resolve many of the funding and disbursement challenges associated with USF. A 'reverse auction' could limit high cost support from USF to a single operator willing to receive the least amount of support in a given study area. Another proposal called the 'Missoula' plan would reform inter-carrier compensation rules reducing access rates in place of higher subscriber line charges (SLC) and capturing originating traffic from non-traditional phone providers. Along with these plans, and others, the timing and approach to implementation will be as important as the change itself

to the prospects of individual operators. Fitch believes that material change in regulatory rules is probable in 2007 and it is possible that these changes will result in variability of business prospects and competitive pressures for the industry. Pressures that have a significant negative affect on financial stability would be recognized by credit rating downgrades or Rating Outlook revisions.

The competitive impacts of technological change remained intense, as expected, in 2006 and this should continue in 2007. Cable multiple system operators (MSOs) have aggressively rolled-out digital telephony services using voice over Internet protocol (VoIP) technology that has increased retail access line erosion of incumbent local exchange carriers (ILECs). The scale of this erosion, which is expected to reach a total of approximately 6 million, representing cable telephony net additions in 2006 of more than 3 million, has increased with the widespread availability of cable telephony and its associated multi-service bundles. Fitch expects this trend to continue in 2007 as pent-up demand is satisfied and MSOs complete aggressive roll-out marketing plans in new service areas. Wireless substitution will remain an equally significant source of access line erosion in 2007 as it was in 2006, with an increasingly aggressive prepaid product focus.

Business revenues should be a source of strength in 2007 for telecommunications operators. Pricing pressure, associated with new higher bandwidth and more flexible data technologies, has been a challenge to producing material revenue growth in the enterprise space even though growth in demand continues. These pricing pressures have moderated to some degree in 2006 and this trend should continue in 2007 allowing enterprise to be a source of financial growth in the coming year. Economic strength has led to meaningful growth of the small and regional business customer environment, which is expected to continue in 2007.

The wireless industry experienced a slowing of both revenue and subscriber growth in 2006 and both these trends will continue in 2007. Beyond, competitive impacts on pricing and subscriber additions, the mix of post-paid and pre-paid subscribers is changing with pre-paid becoming an increasing percentage of the total customer mix. Through mid-06, prepaid and reseller

subscribers represented *approximately 13.1% of total subscribers in the U.S.* compared to 12.5% and 10.6% at year-end 2005 and 2004, respectively. Pre-paid subscribers have a materially lower average revenue per user (ARPU) and higher churn rate compared to post-paid subscribers. Therefore, a continuing trend of the industry adding a greater number of prepaid customers will create greater negative pressure on ARPU and churn. While third-generation wireless technology offers advanced data rates, these will likely not fully offset the voice revenue pressures in the industry in 2007 which would create a slowing of financial growth in 2007.

Merger and acquisition activity has been strong in 2006 and should continue in 2007 with the focus on mid-tier and rural service provider consolidation. Changing business prospects, in part due to regulatory uncertainties, in these areas along with the recognized benefits of scale should produce more momentum for rural ILEC acquisition activity along with other mid-tier telecommunications operators in the carrier and data markets. Fitch believes the degree of acquisition activity will be closely linked to the regulatory and economic developments in the telecommunications sector in 2007.

From a recovery ratings perspective, which applies generally only to speculative-grade issuers, consolidation, economic stability and growing telecommunications service demand has led to a general strengthening of recovery values in the sector. This trend should continue in 2007, particularly if consolidation activity remains strong.

Wireline Outlook:

Wireline revenues continue to be pressured by access line erosion associated with wireless substitution, cable MSO telephony offerings, wholesale voice connections and high-speed data second line substitution. Total switched access line erosion has increased from approximately 5.3% in 2004 to approximately 6.5% in 2005 and is on pace to increase to approximately 6.8% in 2006. Looking more closely at the components of this erosion shows that retail access line erosion was approximately 5% in 2004 and then jumped to 7% in 2005 and will reach 8% in 2006. The large jump in retail access line erosion in 2005 is a

combination of increased wireless substitution, the introduction of cable telephony and the requirement changes associated with unbundled network elements. The increase in 2006 is largely the result of the increased coverage of cable telephony and the success of that offering. Fitch believes that the percentage of erosion from wireless substitution will continue relatively constant, while second line substitution will fall as the total of those lines decreases, but that cable telephony will see increased success in 2007 resulting in aggregate industry retail access line erosion of greater than 8%. Business access lines have had a stable aggregate erosion rate of between 2.5%-3% since the beginning of 2005 and that this level will continue in the future. As a result, total aggregate access line erosion should approximate 7%-7.25% in 2007. Data revenues, a partial offset to access line erosion pressures, will grow in 2006 in the high single digit range due to strong digital subscriber line (DSL) additions. DSL net additions for 2006 will reach approximately 6 million, which would be a double digit increase from full year 2005 additions of approximately 5.1 million. DSL additions should again be strong in 2007, with an increase of approximately 6.6 million lines. Data revenues now represent approximately 33% of total wireline revenues and almost 20% of total consolidated revenues. In spite of stronger data growth, total wireline revenues will likely be flat, to slightly down, in 2007 when compared to 2006.

Aggregate ILEC margins should be flat to slightly down in 2007 due in part to the timing of synergies and integration expenses of the variety of acquisitions and mergers from the past couple years continues. Additionally, potential regulatory changes and spreading cable competition could have a greater impact on rural ILECs cash flow leading to lower margins for these operators. Furthermore, strategic, but costly, broadband and video deployments at AT&T and Verizon will add pressure to aggregate telecommunications margins. As a result, Fitch expects that wireline EBITDA could be flat to slightly down, on aggregate, for 2007.

Regional Bell Operating Companies (RBOC):

Fitch believes relatively stable ratings are in store in 2007 for the Regional Bell